

FCC MAIL SECTION

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Before the
Federal Communications Commission
Washington, D.C. 20554

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DA 95-1362

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In the Matters of)	
)	
TeleCable of Piedmont, Inc.,)	CC Docket No. 95-93
)	
Cencom Cable Income Partners, II, L.P.,)	
Cencom Cable Entertainment, Inc., and)	
Cencom Cable Television, Inc.,)	
)	PA 90-0003
TeleCable of Spartanburg, Inc. and)	PA 91-0001
TeleCable of Greenville, Inc.,)	PA 91-0002
)	
Complainants,)	
)	
v.)	
)	
Duke Power Company,)	
)	
Respondent)	

HEARING DESIGNATION ORDER

Adopted: June 15, 1995

Released: June 15, 1995

By the Chief, Common Carrier Bureau:

I. INTRODUCTION

1. In this Order, we designate for hearing three pole attachment complaints filed by TeleCable of Piedmont, Inc. (Piedmont); Cencom Cable Income Partners, II, L.P., Cencom Cable Entertainment, Inc., and Cencom Cable Television, Inc., (collectively Cencom); and TeleCable of Spartanburg, Inc. and TeleCable of Greenville, Inc. (Spartanburg/Greenville)¹ against Duke Power Company (Duke). The Piedmont complaint concerns the pole attachment rate Duke has charged Piedmont since July 1, 1990. The Cencom and Spartanburg/Greenville complaints concern the

¹ For simplicity, this Order will refer to Piedmont, Cencom and Spartanburg/Greenville collectively as "Complainants."

rates Duke has charged those complainants since those complaints were filed.² To expedite the resolution of the three complaints, we direct the presiding administrative law judge (ALJ) to require the parties to meet prior to the hearing to determine whether these cases can be settled. In the event settlements are not reached, the presiding judge will, if possible, resolve the cases on a paper record, but, if unable to do so, shall conduct such further proceedings as may be necessary.

II. BACKGROUND

A. Statutory and Rule Requirements

2. Pole attachments refer to the placement of cable operator equipment on utility poles owned or controlled by telephone or electric companies. The utility can charge the cable operator for the attachment of its facilities to the utility's poles. Section 224 of the Communications Act of 1934, as amended,³ empowers the Federal Communications Commission to adjudicate disputes between cable system operators and utilities concerning allegedly unjust and unreasonable pole attachment rates that no state regulates. In enacting Section 224, Congress specified that each pole attachment rate should be deemed just and reasonable if it:

assures a utility the recovery of not less than the additional costs of providing pole attachments, nor more than an amount determined by multiplying the percentage of the total usable space ... which is occupied by the pole attachment by the sum of the operating expenses and actual capital costs of the utility attributable to the entire pole....⁴

This statutory language defines a zone of reasonableness for pole attachment rates that extends from the utility's incremental costs to the cable operator's share of the utility's fully allocated costs. Incremental costs consist of those costs that the utility would not have incurred "but for" cable attachments.⁵ Fully allocated costs refer to the operating expenses and capital costs of owning and maintaining poles. These costs include depreciation, taxes, administrative expenses, maintenance expenses, and a return on investment.⁶

² Cencom and Spartanburg/Greenville filed their complaints on January 8, 1991 and January 15, 1991, respectively. Piedmont filed its complaint on November 15, 1990.

³ 47 U.S.C. §224.

⁴ 47 U.S.C. §224(d)(1).

⁵ S. Rep. No. 95-580, 95th Cong., 1st Sess. 19 (1977).

⁶ *Id.* at 19-20.

3. Based on the statutory language contained in Section 224 and the legislative history, the Commission adopted Section 1.1409(c) of its rules.⁷ This section translates the upper bound of the zone of reasonableness defined by Congress into the following formula:

$$\text{Maximum Rate} = \frac{\text{Space Occupied by CATV}}{\text{Total Usable Space}} \times (\text{Operating Expenses} + \text{Capital Cost of Poles})$$

4. We generally calculate the sum of operating expenses and capital cost of poles by multiplying the net cost of a bare pole times the carrying charges, so that the formula defining the upper bound of the zone of reasonableness becomes:

$$\text{Maximum Rate} = \frac{\text{Space Occupied by CATV}}{\text{Total Usable Space}} \times \text{Net Cost of a Bare Pole} \times \text{Carrying Charges}^8$$

For electric utilities, the net cost of a bare pole equals 85 percent of the net investment per pole, as in the following formula:

$$\text{Net Cost of a Bare Pole}^9 = \frac{\text{Gross Pole Investment} - \text{Depreciation Reserve (Poles)} - 15\% \text{ Net Pole Investment}}{\text{Number of Poles}}$$

Carrying charges refer to costs incurred by the utility in owning and maintaining poles regardless of the presence of cable attachments. They include the utility's income tax, pole maintenance, administrative, and depreciation expenses, as well as a return on pole-related investment at the authorized intrastate rate of return. We express the carrying charges as a percentage that we calculate using formulas that are set forth in Attachment A.

5. In the *Pole Attachment Order*, the Commission listed the regulatory accounts to be used, where possible, in applying the formulas to determine the maximum allowable rate for pole attachments. For electric utilities, the accounts are set forth in the Federal Energy Regulatory Commission's (FERC's) Uniform System of Accounts, which is similar to the FCC's Part 32.¹⁰ Attachment B lists these FERC accounts. For rates charged by large electric utilities, like Duke, the data used in

⁷ 47 C.F.R. §1.1409(c).

⁸ See Amendment of Rules and Policies Governing the Attachment of Cable Television Hardware to Utility Poles, *Report and Order*, 2 FCC Rcd 4387, 4388, para. 6 (1987) (*Pole Attachment Order*), *recon.*, 4 FCC Rcd 468 (1989).

⁹ *Id.*

¹⁰ See 18 C.F.R. Part 101.

applying the formulas are derived from those the utility reports on FERC Form 1.¹¹ The Commission's rules require the electric utility to provide the rate formula data to the cable operator.¹²

B. The Pleadings

6. In their complaints, Complainants state that they own and operate cable television systems serving several South Carolina communities.¹³ Complainants also state that they have pole attachment contracts with Duke, that they have attached distribution facilities to Duke's poles pursuant to those contracts, and that they pay Duke an annual rental fee of \$4.87 for each pole attachment.¹⁴ Applying the Commission's pole attachment formula, Complainants calculate that the maximum just and reasonable rate for their pole attachments is \$4.19 per year.¹⁵ Complainants urge the Commission to substitute the lower rate of \$4.19 for the \$4.87 rate contained in the contracts, and to order refunds with interest of any payments in excess of the \$4.19 rate.¹⁶ Complainants also state that they have attempted to negotiate a reduction in the current rate with Duke, but that the differences between the parties do not appear susceptible to settlement.¹⁷ In response to the complaints, Duke provides calculations that, in its view, show that the maximum just and reasonable pole attachment rate for Complainants' cable systems is \$4.91.¹⁸ Duke argues that Complainants have used incorrect data to compute that rate and have miscalculated the cost of capital, maintenance, and taxes components of the overall pole attachment formulas.¹⁹ We address these arguments below.

III. PROCEDURAL MATTERS

A. Background

¹¹ Form 1 is the annual report that electric utilities file with FERC. Form 1 contains both financial and operational data.

¹² 47 C.F.R. §1.1404(h).

¹³ *E.g.*, Piedmont Complaint at 1.

¹⁴ *E.g.*, *id.* at 3.

¹⁵ *E.g.*, *id.* at 3 & Exhibit A.

¹⁶ *E.g.*, *id.* at 5.

¹⁷ *E.g.*, *id.* at 3.

¹⁸ Duke Answer at Exhibit D.

¹⁹ *Id.* at 9-22.

7. The Piedmont case raises an issue regarding the proper period for refunds in pole attachment cases. Piedmont and Duke entered into a pole attachment agreement on May 1, 1990.²⁰ By the terms of the agreement, the pole attachment rate was \$4.26 subject to change retroactive to January 1, 1990 based on Duke's operating results for 1989.²¹ On July 1, 1990, Duke notified Piedmont that the new pole attachment rate was \$4.87 retroactive to January 1, 1990.²² The parties engaged in correspondence and negotiations until November 15, 1990, when Piedmont filed its complaint.²³ In that complaint, Piedmont requests that Duke be ordered "to refund to [Piedmont] the amounts [Piedmont] has paid or, prior to a final resolution of this [c]omplaint will pay, to [Duke] in excess of the maximum lawful rate for the period from July 1, 1990, plus interest."²⁴ Duke asserts that any applicable refunds should only accrue from November 15, 1990, the date Piedmont filed its complaint.²⁵

B. Discussion

8. Section 1.1403(a) of the Commission's rules requires that a utility give 60 days notice of an increase in pole attachment rates.²⁶ According to the record, Duke gave Piedmont notice of the increase from \$4.26 to \$4.87 on July 1, 1990.²⁷ Piedmont should have received 60 days notice in advance of this increase so that it could file a complaint or petition for a temporary stay before the increase took effect. Consequently, the notice given by Duke was defective.

9. To remedy the notice defect and cure the resulting inequity, we hold that refunds with interest should accrue during the 60-day period from July 1, 1990 until August 29, 1990. These refunds shall be calculated using the prior rate of \$4.26, and not the \$4.87 rate imposed by the defective notice or any other rate found just and reasonable by the ALJ. Interest on such refunds shall be calculated using the applicable interest rate for federal tax refunds and additional tax payments

²⁰ Duke Answer at 3.

²¹ *Id.*

²² *Id.* at 4.

²³ *Id.* at 4-5.

²⁴ Piedmont Complaint at 5.

²⁵ Duke Answer at 23-24.

²⁶ 47 C.F.R. §1.1403(a).

²⁷ Duke Answer at 4.

as determined by the Commissioner of the Internal Revenue Service for the period in question.²⁸

10. Section 1.1410(c) of the Commission's rules states that, if the Commission determines a rate, term, or condition complained of to be not just and reasonable, it may order a refund of the difference between the rate paid and the maximum just and reasonable rate from the date the complaint was filed.²⁹ Because Duke provided Piedmont notice 60 days prior to August 30, 1990 and because Piedmont filed its complaint on November 15, 1990, we hold that no refund obligation accrued between August 30, 1990 and November 14, 1990. Any refund obligation would attach only as of November 15, 1990, the filing date for Piedmont's complaint.

IV. SUBSTANTIVE MATTERS

A. Net versus Gross Data

1. Parties' Positions

11. To compute the maximum just and reasonable pole attachment rate for their attachments, Complainants utilize the pole attachment formulas that were adopted in the *Pole Attachment Order*. To apply the formulas, Complainants use "net" data, meaning that all allocations are based on either a "net plant investment" or "net pole investment" basis.³⁰ Duke instead employs different formulas using gross data that rely on "gross plant investment" or "gross pole investment" for allocations.

2. Discussion

12. In the *Pole Attachment Order*, the Commission addressed whether we should use gross as opposed to net data in applying the pole attachment formulas. The Commission stated :

The formulas for calculating the rate approaching the statutory maximum which are presented in the appendices [to the *Pole Attachment Order*] use "net" figures. We

²⁸ See *Cable Information Services, Inc. v. Appalachian Power Company*, 81 FCC 2d 383, 393 (1980).

²⁹ 47 C.F.R. §1.1410(c).

³⁰ Net plant investment refers generally to gross plant investment less the depreciation reserve and accumulated deferred income taxes with respect to gross plant investment. Net pole investment refers generally to gross pole investment less the depreciation reserve and accumulated deferred income taxes with respect to gross pole investment.

prefer to use "net" figures. However, in the past, if the parties submitted figures that were on a "gross" basis we have calculated the rate based on a gross basis. The important goal here is to ensure that like kind figures, *i.e.*, all gross or all net figures, are used in the calculation.³¹

13. In this case, we are presented with two sets of calculations: Complainants', which rely on net data; and Duke's, which rely on gross data. Because the Commission has stated a preference for "net" figures³² except when both parties rely on gross data, we hold that the maximum just and reasonable rates for Duke's service to Piedmont should be calculated based on "net" data.

B. Cost of Capital

1. Parties' Positions

14. Complainants and Duke have calculated different cost of capital components of the carrying charges. In their calculations, Complainants use a weighted average cost of capital of 10.66 percent as determined and authorized by the South Carolina Public Service Commission (South Carolina PSC).³³ This cost of capital figure reflects Duke's costs of common equity as well as preferred stock and corporate debt. Duke argues that the cost of capital component should instead be 13.0 percent, the cost of common equity the South Carolina PSC used in developing the 10.66 percent rate of return.³⁴

2. Discussion

15. We find that Duke's pole attachment rates should reflect its weighted average cost of capital, as determined by the South Carolina PSC, rather than only the common equity component of that average. That weighted average reflects the relevant state commission's best estimate of the costs Duke incurs in attracting capital, including that invested in poles.³⁵

³¹ *Pole Attachment Order*, 2 FCC Rcd. at 4406, n. 21.

³² *See also* para. 4, *supra*.

³³ *E.g.*, Piedmont Complaint at 3-4.

³⁴ *E.g.*, Duke Answer to Piedmont at 20-22.

³⁵ *Trenton Cable TV, Inc. v. Missouri Public Service Company*, Mimeo No. 2109 (Com. Car. Bur., released Jan. 25, 1985). *See also* *Cable Information Services, Inc. v. Appalachian Power Company*, 81 FCC 2d 383 (1980).

16. Duke argues that the rate of return on common equity is also appropriate because the formulas are "rebuttable presumptions" to be used unless an acceptable alternative is provided.³⁶ Duke, however, makes no claim that it uses only equity to finance its pole investment.

17. Duke also claims that we used a return on common equity to calculate maximum reasonable pole attachment rates in *Booth American Company v. Duke Power Company*³⁷ and *Teleprompter of Greenwood, Inc. v. Duke Power Company*.³⁸ Neither of these cases justifies using an alternative to the authorized intrastate rate of return in this case. In *Booth*, both parties agreed to the cost of capital component and thus our decision did not address the issue.³⁹ In *Teleprompter*, the complainant did not raise the issue, and we accepted Duke's rate of return figure with an adjustment to reflect the use of gross data.⁴⁰ As a result, we agree with Complainants that we should use the authorized intrastate rate of return to calculate the maximum reasonable pole attachment rates for Duke's service to Piedmont. For 1990 and 1991, that rate is 10.66 percent. To complete the record on this issue, we require Duke either to file with the Commission a copy of each subsequent decision prescribing a new rate of return for its operations in South Carolina or to state that no such decision exists. Duke shall also serve these filings on the Complainants.

C. Maintenance Expenses

1. Parties' Positions

18. Complainants compute the maintenance expense carrying charge component by including in the numerator of the calculation only the amount that Duke has recorded in FERC Account 593, Maintenance of overhead lines.⁴¹ Duke's computation of this component also includes amounts recorded in Account 407.3,

³⁶ Duke Answer at 20 citing *Pole Attachment Order*, 2 FCC Rcd. at 4406, n. 27.

³⁷ PA 82-0068, Mimeo No. 3064 (Com. Car. Bur., released Mar. 22, 1984), *review denied*, Mimeo No. 35090 (released September 20, 1984).

³⁸ PA 79-0049, Mimeo No. 001866 (Com. Car. Bur., released July 6, 1981).

³⁹ *Booth*, *supra* at 3.

⁴⁰ *Teleprompter*, *supra* at 3.

⁴¹ *E.g.*, Piedmont Complaint at Schedule 2.

Storm damage amortization.⁴² That account reflects the costs of repairing damage to Duke's distribution system caused by Hurricane Hugo.⁴³

2. Discussion

19. We agree with Duke that, because of the unique circumstances presented, storm damages amortization that relates to maintenance of the assets in Accounts 364, Poles, towers, fixtures, 365, Overhead conductors & devices, and 369, Services, should be included in the numerator of the maintenance carrying charge component. In the *Pole Attachment Order*, the Commission indicated that only Account 593 should be included in the numerator of the maintenance carrying charge component calculation. The Commission indicated, however, that we should consider deviations from the methodology established in that *Order* in matters where parties present probative direct evidence regarding an acceptable alternative to meet unique circumstances.⁴⁴ We believe that damage to Duke's distribution system caused by Hurricane Hugo presents such circumstances.

20. The record does not make clear what portion of Account 407.3 relates to maintenance of Duke's assets in Accounts 364, 365, and 369. To expedite resolution of the complaints, we require Duke to file that information with the Commission for the years in question. Duke shall also serve these filings on the Complainants.

D. Taxes

1. Parties' Positions

21. Complainants and Duke calculate the tax component of the carrying charges using the normalization approach.⁴⁵ The parties differ in that the

⁴² Duke Answer at 16-19 & Exhibit F.

⁴³ *Id.* at 17.

⁴⁴ *Pole Attachment Order*, 2 FCC Rcd at 4406, n. 27.

⁴⁵ In the *Pole Attachment Order*, the Commission described the tax normalization method as follows:

Under tax normalization, for financial reporting purposes, utilities depreciate equipment over its estimated useful life (straight line tax depreciation). However, for tax purposes, through claiming accelerated depreciation...on their tax returns, utilities claim higher depreciation expense in the early years of the service life of an asset and lower depreciation in later years. The effect is to produce lower tax payments with respect to the early years which are offset by increased tax payments in later years. The

Complainants' computations use normalized taxes related to Duke's entire plant,⁴⁶ while Duke's computations use normalized taxes with respect to only its electric plant.⁴⁷

2. Discussion

22. In the *Pole Attachment Order*, the Commission stated that taxes paid by a utility generally relate to the utility's entire operations.⁴⁸ As a result, we agree with the Complainants that Duke should follow the normalized taxes approach as required by the *Pole Attachment Order* and calculate its taxes component based on its entire plant, rather than only its electric plant. Duke has provided no persuasive argument for deviating from the requirements of the *Pole Attachment Order* and, thus, we see no reason why this rule would be inapplicable to Duke.

V. CONCLUSION

23. Notwithstanding our findings in paragraphs 7-22 above, we believe that further proceedings are necessary to resolve questions of fact bearing on whether Duke charged Complainants more than the just and reasonable rates for pole attachments during the periods since the complaints were filed. In *TCA Management Co. v. Southwestern Public Service Company*,⁴⁹ the Commission delegated authority to the Common Carrier Bureau (Bureau) to designate pole attachment complaints for hearing in appropriate circumstances. Consistent with that Order and to expedite this proceeding, we designate these complaints for a hearing before an ALJ. In taking this step, we direct the presiding ALJ to use procedures designed to encourage the parties to settle the case or narrow their differences. The ALJ may request some or all of the parties to provide any additional information deemed necessary to clarify the issues or facilitate their resolution. If the parties are unable to settle the case, the ALJ will

amount of income taxes deferred through the use of accelerated depreciation is recorded for accounting purposes in an accumulated deferred tax reserve and represents funds provided for capital investment.... [T]he normalization practice deduct[s] the depreciation related deferred income taxes from the utility's rate base, creating a smaller rate base upon which the allowed rate of return may be earned.

Pole Attachment Order, 2 FCC Rcd. at 4387, para. 46.

⁴⁶ E.g., Piedmont Complaint at Schedule 5.

⁴⁷ Duke Answer at 19-20 & Exhibit G.

⁴⁸ *Pole Attachment Order*, 2 FCC Rcd. at 4402, n. ***.

⁴⁹ FCC 95-221, PA 90-0002 (adopted June 9, 1995).

attempt to decide this case based on the paper record. If unable to do so, the ALJ shall have discretion to conduct such further proceedings as deemed necessary and to add any issues during the hearing that will aid in resolving the complaint.

24. If the parties fail to reach a settlement, the ALJ will determine whether Duke charged Complainants pole attachment rates in excess of the maximums allowable under Section 1.1409(c) of the rules.⁵⁰ If the rates are unlawful, the ALJ shall determine the refund amounts and any interest that is to be paid pursuant to this Order and Section 1.1410 of the rules.⁵¹ To assist the ALJ in efforts to decide the case based on a paper record, we direct Duke to file with the Commission the data required by Section 1.1404(g) and any other data needed to calculate the maximum rates pursuant to our pole attachment formulas. In addition, we direct Duke to analyze Account 407.3 to determine the amounts recorded in that Account that relate to maintenance of the assets recorded in Accounts 364, 365, and 369. The data shall be for each of the calendar years 1990 through 1994, be supported by affidavit, and take into consideration the rulings made in this Order. Duke also shall file a copy of each decision issued in 1991 or thereafter prescribing a new rate of return for its operations in South Carolina or state that no such decision exists. Duke shall also serve these filings on the Complainants.

25. We direct Piedmont to file with the Commission the number of Duke's poles to which Piedmont's cable fixtures were attached in each of the years 1990 through 1994 and in 1995 through the date of its filing in response to this Order. We also direct Cencom and Spartanburg/Greenville to file with the Commission the number of Duke's poles to which their cable fixtures were attached in each of the years 1991 through 1994 and in 1995 through the date of their filings in response to this Order. We further direct Piedmont to file with the Commission the annual pole attachment rates it has been charged by Duke for the years 1990 through the date of its responsive filing. We finally direct Cencom and Spartanburg/Greenville to file with the Commission the annual pole attachment rates they have been charged by Duke for the years 1991 through the date of their responsive filings. The Complainants shall support these data by affidavit and serve them on Duke. The issues to be decided in the hearing are set forth below.

VI. ORDERING CLAUSES

26. Accordingly, IT IS ORDERED, pursuant to Sections 4(i), 4(j), and 224 of the Communications Act of 1934, as amended, 47 U.S.C. §§154(i), 154(j), & 224, and Sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§0.91 & 0.291, that the complaints of TeleCable of Piedmont, Inc., Cencom Cable Income

⁵⁰ 47 C.F.R. §1.1409(c).

⁵¹ 47 C.F.R. §1.1410.

Partners. II, L.P., Cencom Cable Entertainment, Inc., Cencom Cable Television, Inc., TeleCable of Spartanburg, Inc. and TeleCable of Greenville, Inc. against Duke Power Company filed November 15, 1990, January 8, 1991, and January 15, 1991, respectively, ARE GRANTED to the extent indicated and ARE DENIED to the extent indicated in Parts III and IV of this Order, and to the extent neither granted nor denied, ARE REFERRED to an Administrative Law Judge.

27. IT IS FURTHER ORDERED, pursuant to Sections 4(i), 4(j), and 224 of the Communications Act of 1934, as amended, 47 U.S.C. §§154(i), 154(j), & 224, and Sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§0.91 & 0.291, that Duke SHALL PAY refunds with interest thereon to Piedmont for July 1, 1990 through August 29, 1990 as indicated in paragraphs 7-10 of this Order.

28. IT IS FURTHER ORDERED, pursuant to Sections 4(i), 4(j), and 224 of the Communications Act of 1934, as amended, 47 U.S.C. §§154(i), 154(j), & 224, and Sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§0.91 & 0.291, that the above-captioned complaint proceeding IS DESIGNATED FOR HEARING in a proceeding to be held before an Administrative Law Judge at a time and place to be specified in a subsequent order upon the following issues:

1. To determine the refunds due Piedmont, including interest, for July 1, 1990 through August 29, 1990.
2. To determine whether Duke charged Piedmont, Cencom, and Spartanburg/Greenville pole attachment rates that exceeded the maximum amounts allowable under Commission rules during the periods since the complaints were filed.
3. If Duke has charged Complainants excessive pole attachment rates during the periods since the complaints were filed, to determine the amounts of the refunds Duke must pay Complainants for those periods.
4. To determine, in view of the evidence adduced on issues 2 and 3, above, whether Complainants are entitled to interest on any refund amounts for the periods since the complaints were filed and, if so, the amount of that interest.

29. IT IS FURTHER ORDERED, that the burden of proof and the burden of proceeding with the introduction of evidence SHALL BE UPON Complainants.

30. IT IS FURTHER ORDERED, that the designated parties may avail themselves of an opportunity to be heard by filing with the Commission a Notice of

Appearance in accordance with Section 1.221 of the Rules, 47 C.F.R. §1.221, within twenty (20) days of the mailing of this Order.⁵²

31. IT IS FURTHER ORDERED, that Duke and the Complainants SHALL FILE the information set forth in paragraphs 25 and 26, above, within thirty (30) days of the mailing of this Order.

32. IT IS FURTHER ORDERED, that the parties SHALL ADDRESS any exceptions to the ALJ's decision in this proceeding to the Commission.

FEDERAL COMMUNICATIONS COMMISSION



Kathleen M.H. Wallman
Chief, Common Carrier Bureau

⁵² The separated trial staff will file an appropriate Notice of Appearance before participating in the proceedings before the presiding ALJ.

ATTACHMENT A POLE ATTACHMENT FORMULAS FOR ELECTRIC UTILITIES

Maximum Rate	=	$\frac{A \times C \times D}{B}$
Net Cost of a Bare Pole (C)	=	$\frac{.85 (E - F - G^*)}{I}$
Net Pole Investment (H)	=	$E - F - G^*$
Net Plant Investment (J)**	=	$K - L - M^*$
Accumulated Deferred Income Taxes (Poles) (G)	=	$\frac{E \times M^*}{K}$
Depreciation Carrying Charge (N)	=	$O \times \frac{E}{H}$
Administrative Carrying Charge (P)	=	$\frac{Q}{J^{**}}$
Tax Carrying Charge (R)	=	$\frac{S}{J^{**}}$
Maintenance Carrying Charge (T)	=	$\frac{U}{W}$

A = Space Occupied by CATV; 1 foot
 B = Total Usable Space; usually 13.5 feet
 C = Net Cost of a Bare Pole
 D = Carrying charges, (N+P+R+T+V)
 E = Gross Pole Investment in FERC Account 364
 F = Depreciation Reserve (Poles)
 G = Accumulated Deferred Income Taxes (Poles)
 H = Net Pole Investment
 I = Number of Poles
 J = Net Plant Investment**
 K = Total Gross Plant Investment
 L = Total Depreciation Reserve
 M = Total Accumulated Deferred Income Taxes = Sum of Accounts (281, 282, 283, and 190)*
 N = Depreciation Carrying Charge
 O = Depreciation Rate for Poles
 P = Administrative Carrying Charge
 Q = Total General and Administrative Expenses
 R = Tax Carrying Charge
 S = Total Current and Deferred Tax Expense = Sum of Accounts 408.1, 409.1, 410.1 and 411.4) less Account 411.1
 T = Maintenance Carrying Charge
 U = Maintenance of overhead lines (Account 593)
 V = Cost of Capital (Return) = Return Authorized by State Regulatory Commission
 W = Investment in FERC Accounts 364, 365 and 369 less Depr Reserve and Accumulated Deferred Taxes related to those accounts.*

* We treat deferred taxes as most state commissions do -- as a rate base deduction. If the state utility commission includes the reserve for deferred income taxes in the utility's capital structure at zero cost, we would not make any further adjustment.

** For companies with multiple operations, the Commission, in calculating the administrative expense carrying charge, utilizes only investment relating to electric operations. However, for the tax carrying charge, the total plant investment of all the company's operations is utilized because taxes paid by a utility generally relate to its entire operations.

ATTACHMENT B

ACCOUNTS USED IN FORMULAS

<u>FERC ACCOUNT NO.</u>	<u>ACCOUNT NAME</u>
364	Poles, Towers & Fixtures
365	Overhead Conductors
369	Services
593	Maintenance of Overhead Lines
408.1	Taxes Other Than Income Taxes
409.1	Income Taxes-Federal
409.1	Income Taxes-Other
410.1	Deferred Income Taxes
411.1	Deferred Income Taxes (Credit)
411.4	Investment Tax Credit Adjustment
NA	Depreciation
NA	Total Administrative and General Expenses
NA	Gross Plant Investment
NA	Depreciation Rate for Accounts 364, 365 & 369
NA	Investment in Accounts 364, 365 & 369